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AUTHOR	Tuttle, Robert
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ABSTRACT

This guide is designed to help vocational agriculture instructors meet the following objectives with their students: (1) to develop a basic understanding of the estate planning concept; (2) to develop an understanding of basic farm family estate planning objectives; (3) to develop an understanding of the tools available to meet farm family estate plans; and (4) to develop the competencies necessary to organize and implement effective farm family estate plans. Seventeen units are presented, with each unit containing suggested objectives, motivational techniques, study questions, references, and a job analysis. Unit topics include becoming acquainted with the concept of estate planning; becoming acquainted with ways of titling property; utilizing installment contracts, the private annuity, wills, trusts, corporations, insurance, partnerships, gifts (eight separate units); providing for retirement; bringing young people into farming through estate planning; protecting interests of minor children; minimizing taxes; transferring property prior to death; developing the farm family estate plan; and acquiring competent assistance in estate planning. (BL)

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SOURCE UNIT

in

ESTATE PLANNING

Developed By

Robert Tuttle
Graduate Student
Colorado State University

In Cooperation With

Colorado State University
Department of Vocational Education
Agricultural Education Section

and

The Colorado State Board for
Community Colleges
and
Occupational Education

CE 013 626

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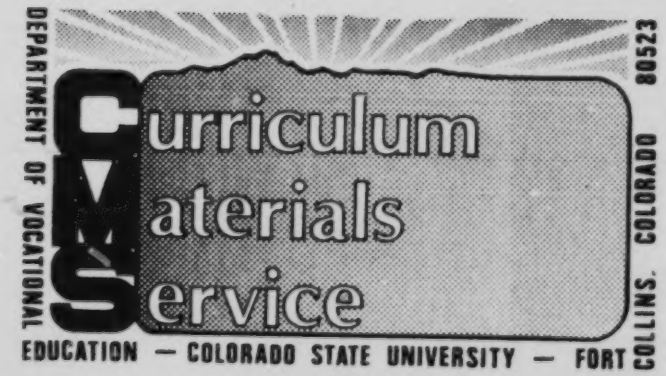
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INTRODUCTION

The following source unit in Estate Planning was prepared as a guide for vocational agriculture instructors in Colorado.

Suggested objectives, motivational techniques and study guides are provided as aids in teaching the unit to vocational agriculture students (adult, young farmer, and regularly enrolled high school vocational agriculture students).

It was designed to help teachers of vocational agriculture analyze the area of estate planning and to organize lessons for instructional purposes. It was not intended that this publication be used either as a course of study or as an outline for instruction in any local vocational agriculture department. Strictly speaking, this source unit was intended to serve as a basis for course construction and instructional planning. This supports the concept that a course outline and instructional plan in vocational agriculture for a local community should be based on local conditions and needs.

The purpose of this guide is to help vocational agriculture instructors meet the following objectives with their vocational agriculture students:

1. to develop a basic understanding of the estate planning concept.
2. to develop an understanding of basic farm family estate planning objectives.
3. to develop an understanding of the tools available to meet farm family estate plans.
4. to develop the competencies necessary to organize and implement effective farm family estate plans.

Many aspects of estate planning are highly technical and have legal implications. It is recommended that instructors utilizing this unit contact community resource people for help in getting the most up-to-date information on estate planning and for presenting some of the more technical information.

Dr. Irving C. Cross, Head, Agriculture Education Section, Department of Vocational Education, Colorado State University cooperated in the preparation of this source unit. Mr. Henry P. Gronewoller, Department of Economics, Colorado State University served as a resource person and provided resource material used in preparing the source unit.

REFERENCES

Bulletins:

Smith, Cecil O. Estate Planning With a Purpose. University of Georgia Cooperative Service, Bulletin No. 694, February, 1971.

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Crim, Harry E. and Marrow, Alice. Estate Planning Manual. Colorado State University Extension Service, Department of Economics, 1976.

Harl, Neil E. Farm Estate and Business Planning. Agri-Business Publications, Skokie, Illinois, 1977 edition.

Magazines:

"Estate Planning: Key to Safeguarding Your Farm's Future." I. H. Farm Forum, The International Harvester Magazine, Issue No. 1, 1977.

Harl, Neil E. "Young Farmers Need Estate Planning Too." Agri-Educator, Vol. 1, No. 1, September, 1976.

TABLE OF CONTENTS

		Page
UNIT:	Estate Planning	
JOB:		
1	Becoming Acquainted With the Concept of Estate Planning	1-1
2	Becoming Acquainted With Ways of Titling Property	2-1
3	Utilizing Installment Contracts	3-1
4	Utilizing the Private Annuity	4-1
5	Utilizing Wills	5-1
6	Utilizing Trusts	6-1
7	Utilizing Corporations	7-1
8	Utilizing Insurance	8-1
9	Utilizing Partnerships	9-1
10	Utilizing Gifts	10-1
11	Providing for Retirement	11-1
12	Bringing Young People Into Farming Through Estate Planning	12-1
13	Protecting Interests of Minor Children	13-1
14	Minimizing Taxes	14-1
15	Transferring Property Prior to Death	15-1
16	Developing the Farm Family Estate Plan	16-1
17	Acquiring Competent Assistance in Estate Planning	17-1

UNIT: Estate Planning

JOB 1:

Becoming Acquainted with the Concept of Estate Planning

SITUATIONS:

A.

B.

OBJECTIVES:

A. The student will be able to identify to the family, the elements normally included in estate planning to the satisfaction of adult family members.

B. The student will be able to relate to the family the importance of estate planning to the satisfaction of adult family members.

MOTIVATION:

Four years ago John purchased a 160 acre, irrigated corn-hog operation. He is married and has two pre-school aged children.

While harvesting his corn, John got caught in the combine, losing a leg. As a result, he is unable to contribute the necessary heavy labor his farm requires. Not being adequately insured, his liquid assets were soon used up to meet medical obligations. John was forced to sell his farm since he was now financially unable to hire help.

How could proper estate planning have helped John and his family survive the crisis?

STUDY QUESTIONS:

1. What is really meant by the term estate planning?
2. What can estate planning do for the farm family?
3. How is estate planning accomplished?
4. Where can estate planning assistance be obtained?
5. What is the cost involved in developing a good estate plan?
6. What might be included in my estate plan?
7. When should estate planning take place?

REFERENCES:

A. Crim, Harry E. and Morrow, Alice. Estate Planning Manual. 1976 edition, Section I, p. 1-3.

B. Harl, Neil E. Farm Estate and Business Planning, 1977 edition, p. 9-15.

C. Smith, Cecil O. Estate Planning with a Purpose. February, 1971, p. 68.

UNIT:

Estate Planning

JOB 1:

Becoming Acquainted with the Concept of Estate Planning

JOB ANALYSIS:

1. Estate Planning

   a. Includes:

      1) all plans made concerning the use of real and personal property.

      2) all business decisions and arrangements to which the family is committed.

   b. Is the process of:

      1) acquiring one's personal and real property.

      2) utilizing property to achieve personal and family goals.

      3) preparing for the property's disposal or transfer.

2. Purposes Served by Estate Planning

   a. Provides:

      1) avenues to enter farming.

      2) financial base for off-farm family needs.

         a) collateral for educational loan.

         b) collateral for loan to enter off-farm business by family members.

      3) protection of the farm business from disaster.

      4) security for retirement years.

      5) for continuation of the farm business into the next generation.

      6) for a minimal amount of settlement cost and inheritance taxes.

      7) for the transfer of ownership according to the owner's wishes.

3. The Estate Planning Process

   a. Establish family and business objectives.

   b. Identify ownership of all family property.

   c. Develop insurance plan.

   d. Identify tools for transfering property.

   e. Enlist competent assistance in developing plan.

   f. Draw up the estate plan.

   g. Update and adjust plan as needed.

4. Acquiring Estate Planning Assistance

   a. Those who know best the family's situation.

      1) personal banker.

      2) accountant or tax man.

      3) insurance agent.

      4) family lawyer.

   b. Work together to develop a total plan.

5. Expenses Encountered in Estate Planning

   a. Varies and depends on:

      1) amount of pre-planning done by the family.
         --charges are usually based on an hourly rate.

      2) the source of assistance used.
         --may range from $50.00 to $1,000.00 or more.

6. Elements of a Good Estate Plan

   a. Provides for the needs and objectives of each member of the farm family.

   b. Contains an outline of the business arrangement and how property is owned or titled.

   c. Provides security for family and business needs through adequate insurance coverage.

d. Identifies who will receive property under various survival situations.

e. Provides for the retirement years of family members.

f. Serves as a guide to manage property if objective is continuity of the farm business.

g. Serves as a guide to dispose of property upon death of owner.

7. When to Do Estate Planning

a. It is a continual process:

1) develop initial estate plan immediately.

2) alter when major business changes take place.

3) alter when family objectives change.

4) alter when status of family members change.

UNIT: Estate Planning

JOB 2:

Becoming Acquainted with the Ways of Titling Property

SITUATIONS:

A.

B.

OBJECTIVES:

A. The student will be able to identify the three ways of titling property with 100 percent accuracy.

B. The student will be able to relate to the farm family the items to consider when titling property and how they are used in estate planning, to the satisfaction of adult family members.

MOTIVATION:

Arnold didn't bother to make a will because he felt the State would settle his estate according to his wishes. Arnold and his wife, Ellen, owned their farm in joint tenancy. According to State Law, Ellen would receive Arnold's part of the estate and upon her death it would go to their children.

What happens if Ellen remarries?

STUDY QUESTIONS:

1. Why should a person know how property is titled?
2. What are the ways of titling property?
3. What are the advantages and disadvantages of the various ways of titling property?
4. How does the way property is titled affect how the estate is disposed of at time of death?
5. What things must be taken into consideration when selecting a way to title property?

REFERENCES:

A. Crim, Harry E. and Morrow, Alice. Estate Planning Manual. Section III.

B. Harl, Neil E. Farm Estate and Business Planning. 1977 edition, p. 16-54.

C. Smith, Cecil O. Estate Planning with A Purpose. February, 1971, p. 7.

UNIT: Estate Planning

JOB 2:

Becoming Acquainted with the Ways of Titling

JOB ANALYSIS:

1. Being aware of ways of titling property

   a. To understand to whom property will go in case of death.

   b. To understand which form gives the best settlement and tax advantages under various circumstances.

   c. To develop the estate plan around the way of titling selected.

2, 3, and 4 (on following page)

2, 3 and 4.

Form of Ownership	How Owned	Advantages	Disadvantages	How Estate Passes
1. Sole Ownership	1. 100% by owner.	1. Less red tape in transfer. 2. Owner has control over disposal of property.	1. Heavy erosin of estate can take place through taxes.	1. Property passes according to state law or will.
2. Joint Tenancy	1. Two or more people own property with equal shares.	1. Property automatically goes to surviving co-owner or owners. 2. In case of spouse as co-owner, a federal estate marital deduction exists. (See Job 14.)	1. A will is still necessary. 2. Property may transfer contrary to wishes of owner. 3. Total property subject to capital gains. 4. Gift can subject entire property to taxes.	1. Property passes automatically and completely to surving owner if no will is present. 2. Joint tenancy takes priority over a will in certain cases--if will contrary to joint tenancy.
3. Tenancy-in-Common	1. Two or more people own property. 2. Individuals do not have to own equal shares.	1. Only the share of the owner that dies is taxed.	1. Spouse may have to sell to deliver shares to other heirs.	1. If no will present, property distributed directly to heirs.

5. When Selecting the Way of Titling:

   a. Determine how much control of estate desired.

      1) sole ownership--100 percent control.

      2) joint tenancy--50 percent control (in case of two owners).

      3) tenancy-in-common--50 percent or less depending on percent of property owned by each party.

   b. Determine who it is you wish to leave your property.

   c. Determine what settlement and tax costs will be incurred.

UNIT: Estate Planning

JOB 3:

Utilizing Installment Contracts

SITUATION:

A.

B.

OBJECTIVE:

The student will be able to relate to the farm family how installment contracts can be used to meet estate planning objectives to the satisfaction of adult family members.

MOTIVATION:

We hear of people who sell their farms but will accept only a small down payment and the balance to be paid over a number of years. Is this really an advantage when planning one's estate?

STUDY QUESTIONS:

1. What is an installment contract?
2. What do installment contracts have to do with estate planning?
3. What advantages are there to transferring land by installment contracts?
4. What pitfalls can be encountered through using installment contracts to transfer property?
5. Is assistance necessary in drawing up an installment contract? Why?

REFERENCE:

Harl, Neil E. Farm Estate and Business Planning, 1977 edition, p. 157-166.

UNIT: Estate Planning.

JOB 3:

Utilizing Installment Contracts

JOB ANALYSIS:

1. Installment Contract

   a. A method of selling property.

      1) a fixed value is set on property.

      2) a down payment is made by buyer.

      3) a fixed repayment schedule is agreed upon by buyer and seller.

      4) buyer takes possession and has management control of the farm business.

2. Utilizing Installment Contracts in Estate Planning

   a. Used as a tool to transfer ownership during owner's lifetime.

   b. Used as a tool to minimize taxes.

      1) value of property set at time of sale and not upon death of owner.

      2) capital gains can be postponed until year payment received.

      3) capital gains spread over a number of years.
         --results in lower tax bite at one time.

   c. Lower initial capital outlay needed by younger family member and/or other young people to enter farming.

3. Advantages in Transferring Land

   a. Transfer made during lifetime of owner.

   b. Provides security for retirement years.
      --through use of installment payments as income.

   c. Buyer has management responsibility.

   d. Stabilizes land value for capital gain purposes--gains based on value of land at time of sale and not at time of owner's death.

4. Pitfalls to Watch For

   a. Seller can be left with no income.

      1) if, he is dependent on payments for retirement purposes.

      2) debt can be paid off before the seller dies.

   b. If payments depended on for income purposes--inflation can deflate buying power.

5. Need for Legal Assistance

   a. Should be utilized to ensure compliance with state law.

   b. Should be utilized to assure wording of contract is according to the intention of all parties in agreement.

   c. Should be utilized to protect rights of each party.

      1) if agreement within family, use family attorney.

      2) if agreement with party outside of family--each party should have their own attorney.

UNIT: Estate Planning

JOB 4:

Utilizing Private Annuities

SITUATIONS:

A.

B.

OBJECTIVE:

The student will be able to relate to the farm family the value of using annuities as an estate planning tool to the satisfaction of adult family members.

MOTIVATION:

Jim Johnson was concerned about having a steady income for the rest of his and his wife's life. He developed an arrangement with his son, Henry, that is different than that normally found.

Jim turned the farm over to Henry without a down payment. The agreement called for Henry to pay his father and/or mother a monthly payment for as long as the survivor should live. Upon the death of the last parent the farm would automatically belong to Henry.

Is such an agreement legal? If so, what implications might it have for planning one's estate?

STUDY QUESTIONS:

1. What is meant by a private annuity?
2. What are the different types of private annuities?
3. How are private annuities used in estate planning?
4. What risks do annuities create for those using them for estate planning purposes?

REFERENCE:

Harl, Neil E. Farm Estate and Business Planning. 1977 edition, p. 167-172.

UNIT: Estate Planning

JOB 4:

Utilizing Private Annuities

JOB ANALYSIS:

1. Private Annuities

   a. An agreement whereby property is given in exchange for a promise to pay.

      1) giver called annuitant--gives property.

      2) receiver called obligor--receives property, makes payments.

   b. Upon death of owner or after certain number of payments made--the farm becomes property of obligor.

2. Types of Private Annuities

   a. Secured--property ownership reverts to annuitant in case of default of payment.

   b. Non-secured--annuitant takes obligor at his word.

3. Use of Private Annuities in Estate Planning

   a. Allows transfer of property during owner's lifetime--property no longer a part of owner's estate upon his death.

   b. Gives annuitant income for life or specified time.

   c. Serves as avenue for person to enter farming with no down payment.

   d. If annuitant dies early, property is cheaply obtained.

4. Risks of Annuities

   a. No advantage if annuitant lives longer than expected--payments may exceed what the value of the farm was at the time of agreement.

   b. All children need to be obligors to have equitable system--otherwise upon parent's death no estate is left to receive a part of.

   c. Capital gains tax can be applied.

      1) applied if promise to pay is secured. (See number 2. a. above.)

      2) doesn't apply if promise to pay is not secured.

d. Inflation hurts buying power of payment--payment remains constant as prices rise.

e. Gift tax complications.

1) assessed at time of annuitant's death.

2) computed on basis of total payments made.

a) if market value of property is greater than total payments --difference is considered a gift.

b) no gift if payments exceed market value.

f. Legal assistance vital in setting up annuity due to complexity.

UNIT: Estate Planning

JOB 5:

Utilizing Wills

SITUATIONS:

A.

B.

OBJECTIVES:

A. Students will be able to relate to members of the farm family the items to consider when writing a will to the satisfaction of adult family members.

B. Students will prepare a sample will containing required basic elements to the satisfaction of adult family members and the instructor.

MOTIVATION:

John had a life long ambition to pass his farm business on to his two young sons. Since his farm was owned in joint-tenancy with his wife, Helen, he felt his wishes would be carried out in the event of his death. For that reason he didn't bother making out a will.

A tractor accident took John's life. A year later Helen remarried, again entering a joint tenancy agreement with her new husband who also had a son.

John's two boys found themselves suddenly disinherited when their mother died. The second husband became sole owner due to the joint-tenancy clause, with his son the next in line to inherit his estate.

How could proper estate planning have prevented such an occurance from happening?

STUDY QUESTIONS:

1. What is a will?

2. How does a will fit into the estate plan?

3. What happens to the estate if no will is made?

4. What are the advantages and disadvantages of transferring a property according to a will instead of letting the law of descent take its course?

5. Does an estate always get disbursed according to the provisions of the will?

6. What provisions should a person include in his will?

7. What is a guardian? How is one appointed?

8. What does the administrator of a will do and how is one appointed?

9. When should the will be prepared?

10. Is assistance necessary in writing a will? Why?

11. How much does it cost to have a will prepared?

12. What should a person do with the will once it is prepared?

13. Utilizing all the major points discussed, prepare a simple will.

REFERENCES:

A. Crim, Harry E. and Marrow, Alice. Estate Planning Manual. 1976 edition, section II.

B. Harl, Neil E. Farm Estate and Business Planning. 1977 edition, p. 193-194.

C. I. H. Farm Forum. Issue Volume 1, 1977, p. 8-9.

UNIT: Estate Planning

JOB 5:

Utilizing Wills

JOB ANALYSIS:

1. Will

   A written set of instructions concerning how the owner wishes his property to be disposed of in the event of his death.

2. Use of Wills in Estate Planning

   a. Provides for property disposal or transfer at time of death.

   b. Used as a tool to assure farm business continuation into next generation.

      1) farm business goes to family members wishing to farm.

      2) other personal property can go to non-farm family members.

   c. Spells out who is to receive which property.

   d. May specify guardian in care of minor children.

   e. May specify who is to manage the estate.

3. Disposal of Estate Where There Is No Will--"Interstate "

   a. In Colorado, disposal according to state law.

      1) only family members will receive property.

      2) court appoints administrator.

      3) court appoints guardian.

      4) court appoints administrator of minor's property.

4. Advantages of a Will

   a. Distribution of property made according to owner's wishes.

   b. Gives parents choice as to who guardian will be for minor children.

   c. Gives owner choice of administrator of his estate.

   d. Provisions can be included to cover special wishes.

   e. Individuals outside of immediate family can receive assets.

f. Prevents unnecessary inconvenience to survivors--if court has to decide on disposal of estate, often it can become a long, drawn out process.

g. On-going business can be obtained by leaving farm business to those desiring to farm.

Disadvantages of a Will

a. Does not always stand up in court--if owned in joint tenancy, other owner cannot be disinherited.

b. If settlement by law is agreeable to owner, writing a will can be just an added expense.

5. Distribution Different Than Will

a. Right of survivorship prevai's--if property owned in joint tenancy, co-owner cannot be disinherited.

b. Will can be challenged on the basis of fraud, incompetence of owner when making will, undue influence, or alterations.

6. Provisions to be Included in the Will

a. Who will receive property and under what circumstances.

b. The percent to be received by each recipient.

c. Who is to serve as guardian of minor children.

d. Who the executor of the estate is to be.

e. Testementary trust.

1) Owner retains rights to property until death.

2) After estate settlement, property transferred to trust.

f. Special bequeaths or directions.

7. Guardians

a. Appointed to look after minor's interests.

b. Appointed by parents in will--effective when guardian files acceptance.

c. If court determines guardian appointed is not in the best interest of minor, it can appoint its own.

d. Court will appoint guardian if one is not specified in the will.

8. Administrator

   a. Handles the business affairs of the estate.

      1) for a fee or salary.

      2) can be named in the will.

      3) if will doesn't provide--court will appoint.

9. Time to Prepare the Will

   a. Now--if put off until a later date, "Tomorrow Never Comes."

   b. Start by deciding what provisions are to be included.

10. Need for Legal Assistance.

   a. Not absolutely necessary but depends on circumstances.

      1) simple handwritten wills accepted in most states.

         a) must be properly witnessed and filed.

         b) should be checked by lawyer for legal interpretation and to see if desires of owner are correctly stated.

      2) assistance in drafting will helps insure true intent of owner.

      3) assistance in drafting helps insure compliance with the law.

11. Cost of Drafting Wills

   a. $50 to $150 for a simple will.

   b. Cost rises with:

      1) complex disposal methods requested.

      2) special stipulations.

      3) size of estate or business.

12. Handling the Will

   a. Should be signed and witnessed according to state law.

   b. Have required number of copies executed--most states require that the original copy only be executed.

c. Have attorney store or place will in safe place.

1) personal safe.

2) safety deposit box.

3) left in care of county clerk.

UNIT: Estate Planning

JOB 6:

Utilizing Trusts

SITUATION:

A.

B.

OBJECTIVES:

A. The student will be able to orally relate how trusts can be utilized to transfer property to the satisfaction of the instructor.

B. The student will be able to identify the three necessary elements of a trust with 100 percent accuracy.

C. The student will be able to relate the importance of trusts in estate planning to the members of the farm family to the satisfaction of adult family members.

MOTIVATION:

One of the greatest concerns of young couples is what will happen to minor children in the case of accidental death of one or both parents. What can we, as parents, do through the estate planning process to protect our dependent children against just such a situation?

STUDY QUESTIONS:

1. What is a trust?
2. Is there more than one kind of trust and if so how do they differ?
3. How can trusts be utilized in estate planning?
4. What are the necessary elements of a trust?
5. What are some of the advantages and disadvantages of using trusts as part of the estate plan?
6. What precautions should a person consider when preparing a trust?
7. Why are trusts sometimes probated?

REFERENCES

A. Harl, Neil E. Farm Estate and Business Planning. 1977 edition, p. 67-75.

B. University of Georgia. Estate Planning with a Purpose. p. 13.

UNIT: Estate Planning

JOB 6:

Utilizing Trusts

JOB ANALYSIS:

1. Trusts

   a. Legal arrangement to manage estate.

   b. Managed by trustee for benefit of beneficiaries.

   c. Regulates the distribution of assets according to owner's wishes.

2. Kinds of Trusts

   a. Living (inter vivos).

      Created and made effective while trustor is alive.

   b. Testamentary

      1) developed as part of last will and testament.

      2) is effective after will is probated.

      3) useful for handling minor heirs or other beneficiaries' business affairs.

   c. Revocable Trust

      1) can be terminated, amended, revoked or altered if owner retains rights.

      2) no real tax advantages.

   d. Irrevocable Trust

      1) can be written with objective to reduce estate taxes of beneficiaries.

         a) example: skipping generations.

            (1) property placed in trust for off-spring with remainder of estate going to grandchildren.

            (2) grantor has to give up decision making authority and right to income in order to be eligible for skipping generation clause.

3. Trusts as Tools in Estate Planning

   a. Provides management of property and assets of minor children.

   b. Provides for management of elderly peoples' property and those deemed incompetent to make decisions.

   c. Provides management of property of those who prefer not to do so themselves.

   d. Provides method of leaving only a limited interest in assets to a particular individual.

4. Necessary Elements of a Trust

   a. Trustee--the designated individual to handle affairs of the estate.

   b. Statement or description of property to be held by the trust or "corpus."

   c. Should identify beneficiaries and their individual rights.

5. Advantages of Trusts

   a. Eliminates probate fees and expense of reporting to the court--when administrator is outside jurisdiction of probate court.

   b. Extent of trust assets private--information only available to authorized individuals.

   c. Distribution can be delayed beyond legal age of beneficiary.

   d. Can assure steady source of income for surviving spouse--through competent management by appointed trustee.

   Disadvantages of Trusts

   a. No real tax advantage in revocable trust.

   b. Appointed trustee may not act in the real interest of beneficiaries.

   c. Appointed trustee may lack management skills.

6. Precautions When Preparing Trust Instruments

   a. Obtain knowledgeable assistance.

      1) should be trust officer or lawyer.

      2) to ascertain instrument written according to grantor's wishes.

   b. Careful selection of trustee--his purpose should be to manage, invest, and protect property.

c. Instrument should outline trustee's powers--to insure rights of beneficiaries.

d. Alternate trustee should be designated in case original nominee cannot or will not serve.

e. Questions to be asked.

1) is trust instrument structured to serve objectives of person establishing trust?

2) does the instrument specify who will be entitled to receive income from the trust during its operation.

7. Trusts Are Probated for Three Basic Reasons

a. To assure payments to creditors of deceased.

b. To establish rights of heirs or others to the property of deceased --trust cannot be contradictory to the way the title to the property is held--joint tenancy for instance.

c. To pay necessary death and income taxes.

UNIT: Estate Planning

JOB 7:

Utilizing Corporations

SITUATIONS:

A.

B.

OBJECTIVES:

A. The student will be able to explain how incorporation of farm property fits into estate planning for the farm family to the satisfaction of adult family members and the instructor.

B. The student will be able to identify the seven steps involved in forming a farm corporation with 100 percent accuracy.

C. The student will be able to list the advantages and disadvantages of incorporating farm property to the satisfaction of the instructor.

MOTIVATION:

The Henkels have three primary estate planning objectives. First, they desire an adequate income for themselves during their retirement years. Secondly, they want the farm business to continue into the next generation, and thirdly, they want each of their children to share in the assets of the estate upon the death of both parents.

The Henkels have five adult married children; three sons and two daughters. Two of the sons live on the farm working for wages and the other has a private medical practice. Both daughters have husbands who have off-farm occupations.

If the family is to consider incorporation as an answer to their estate planning needs, what factors should they first consider before making the final decision?

STUDY QUESTIONS:

1. What is a farm corporation?

2. How are farm corporations organized?

3. How does a closed corporation differ from a publicly owned one?

4. What are the advantages of incorporating the farm?

5. What are the limitations or disadvantages of incorporating?

6. If the farm family decides to incorporate, what steps are involved in the process?

7. How does incorporating the farm business help serve estate planning objectives of the family?

REFERENCE:

Harl, Neil E. Farm Estate and Business Planning. 1977 edition, p. 90-156.

UNIT: Estate Planning

JOB 7:

Utilizing Corporations

JOB ANALYSIS:

1. Characteristics of a Farm Corporation

   a. An artificial being created under state law.

   b. Legally serves as a separate entity from its owners (separate person).

   c. Its characteristics are determined by state law.

   d. It operates the farm and carries on the business.

   e. Serves as a separate taxpayer from shareholders.

2. Organizational Makeup of Corporations

   a. Governed according to provisions of state law.

   b. Corporate charter--document stating right to operate.

   c. Articles of corporation.

      1) document establishing purposes and powers of corporation.

      2) document that serves as a guideline for setting rules for governing the corporation.

   d. Consists of:

      1) Shareholders--individuals who own the corporation through shares.

      2) Board of Directors--elected by shareholders to set policy.

      3) Officers--individuals elected to positions of authority in the corporation (president, treasurer, etc.).

      4) Manager:

         a) makes the daily management decisions and directs operation of the farm.

         b) may also be shareholders, director or officer.

3. Differences in Closed and Publicly Owned Corporations

   a. Open--no limitation on who can own shares.

   b. Closed.

      1) owned by small group of shareholders.

      2) usually limited to family members.

      3) limited by desire of original shareowners as to who can buy.

4. Advantages of Incorporating

   a. Limited liability to stockholders since corporations are a legal entity and can sue and be sued.

   b. Corporation owns all the property.

      1) owner's interests are represented by shares of stock.

         a) owner can sell his stock, dispose of it by will, give it away, or pass its ownership on through right of descent.

         b) eases the transfer of farm property from one generation to the next.

   c. Allows for simplification of the estate settlement process.

      1) being a separate entity the corporation business continues when a shareholder dies.

      2) only that portion of stock owned by deceased is subject to probate.

      3) eliminates forced sale by off-farm descendents--unless they own controlling interest (over 50%).

   d. Improved credit status.

      1) due to long time stability of corporation.

         a) continuation of business after death of a shareholder.

         b) through the pooling of resources of the individual shareholders.

   e. Shareholders can receive benefits as employees of corporation.

      1) retirement plans.

      2) sick leave.

3) vacation.

4) medical and insurance plans.

5) social security base established as an employee.

f. Increased efficiency.

1) due to state required recordkeeping, planning, and reporting procedures.

2) by-laws delegate authority and operating procedures often lacking in other forms of farm ownership.

5. Limitations or Disadvantages of Incorporating

a. More expensive to form and operate than other forms of ownership --more elaborate recordkeeping and reporting system necessary to meet government regulations.

b. owner's widow may end up with considerable property but little income.

1) she loses control over amount of dividend paid on shares--after husband dies she usually ends up with less than 51% of shares.

2) profits of corporation often paid out in wages and other shareowner-employee benefits instead of dividends.

c. Minority off-farm heirs have little control over management of corporation.

1) may result in small financial return on shares.

2) often locked in when attempting to market shares--especially if corporation is closed ownership.

d. Social security tax for employee status higher than self-employed.

e. Subject to involuntary bankruptcy.

f. Restrictions placed on corporation's ability to borrow through federal programs--must meet specific criteria to qualify.

g. Adverse income tax consequences encountered when disolving the corporation--complexity of options requires legal advice in making selection.

h. Formality of organization creates burdensome reporting and paper-work.

i. Incorporating may create restricted market for shares. (Purchasing shares does not guarantee control over investment.)

6. Steps Involved in Incorporation

   a. Make decision to incorporate.

   b. Inventory resources to be included in the corporation.

   c. Acquire competent legal assistance.

   d. Incorporators file preliminary application with state official (usually Secretary of State).

   e. The state issues certificate of incorporation.

   f. Incorporators elect directors.

   g. Directors adopt bylaws.

   h. Directors elect officers and operate business in the name of the corporation.

7. Incorporation as a Tool for Carrying Out Estate Planning Objectives

   a. The number one reason farmers incorporate is to meet estate planning objectives.

   b. Is a means of insuring continuity of the farm business. (See 4.c. above.)

   c. Majority owners can make gifts or sales of stock without loss of control over decision making--as long as they retain 51% or more.

   d. Restrictions can be placed on the transfer of stock by individuals receiving stock by gift or sale (selling to non-family individuals, etc.).

   e. Asset ownership can be divided into shares of stock.

      1) stock transfers allow for transfer of a portion of total business.

      2) corporate stock can be used to channel farm income to low tax bracket taxpayer (minimizing overall income tax liability by placing dividends with more members of the farm family).

      3) aids in income security.

         a) retired individuals can retain control of management by retaining at least 51% of shares--profits can then be directed to dividends instead of increased employee benefits.

   f. Eases transfer to minors.

1) helps reduce family income tax burden by dividing income from a single owner to several family members.

2) helps reduce amount of inheritance taxes to be paid on death of parents by transferring shares during life of parents.

3) can encourage minors to develop a greater interest in the farm business (by being shareholders).

UNIT: Estate Planning

JOB 8:

Utilizing Insurance

SITUATIONS:

A.

B.

OBJECTIVES:

A. The student will be able to relate the importance of insurance in estate planning to the farm family to the satisfaction of adult family members.

B. The student will be able to identify the five major uses of life insurance in estate planning with 100 percent accuracy.

MOTIVATION:

A. Give an example of how insurance could have helped alleviate an inheritance problem. Example:

Both parents die leaving the farm to two children; a son who has been farming with his parents and a daughter who is married and lives in the city. She wants nothing to do with the farm but wants her share of the estate. The son has to sell or heavily mortgage the farm to pay the sister's share. Does this situation sound familiar? How might a good insurance plan have helped solve the problem?

STUDY QUESTIONS:

1. What is the purpose of life insurance?
2. Of what use and how does life insurance fit into the estate planning process?
3. What factors should a person consider when making life insurance investments?
4. What insurance coverage should be provided for various family members?
5. Who should own the policy?
6. What factors should be considered when designating the beneficiary?
7. What options are available for the settlement of a life insurance policy?
8. What other insurance protection (in addition to life) should be included in the estate plan?

REFERENCES:

Harl, Neil E. Farm Estate and Business Planning. 1977 edition, p. 173-179.

UNIT: Estate Planning

JOB 8:

Utilizing Insurance

JOB ANALYSIS:

1. Purpose of Life Insurance
   a. Protects economical stability of the farm family.
      1) against interruption of income through the death of main provider.
      2) against erosion of assets due to estate settlement and tax expenses.
2. Life Insurance Utilized to Meet Family Objectives
   a. To create estate where none exists.
      1) insurance often easier to acquire than other real property.
         a) farm real estate usually requires large down payment.
         b) life insurance purchase requires less initial capital outlay.
   b. To protect those dependent on a source of income.
      1) insures available funds after death of main provider.
   c. To help insure continuation of the farm business after death.
      1) life insurance plan can provide off-farm heirs their rightful share of the estate.
         a) this approach allows on-farm heirs to inherit the tangible farm property.
         b) off-farm heirs receive insurance benefits as their share of the estate instead of land.
         c) prevents the necessity of breaking up the farm business to give off-farm heirs their share of the estate.
3. Factors to Consider When Planning for Use of Life Insurance
   a. The needs of the individual and/or the estate.
   b. Different ways of meeting the established need.
      1) whether through life insurance, tax shelter, or social security.

c. The way which most economically meets the need.

d. The types of life insurance that meets the estate planning objective.

Type of Insurance	Objective Served	Special Features
Endowment Insurance	Income Protection Supplement Retirement	Payable to insured if he is living on maturity date. Payable to beneficiary if insured dies prior to that date.
Insurance Annuities	Provides guaranteed retirement income.	Fixed income.
Term Insurance	Protection of income.	No cash value or savings account features. Cost of protection raises with age of person covered. or Cost remains the same but benefits decrease with increased age.
Whole Life	Protection of income. Used as collateral. Death benefits to beneficiaries.	Premium remains constant. Payments build up cash value.

5. Designation of Policy Ownership--(person who has right to make decisions concerning policy)

   a. Influenced by objectives of insurance purchaser.

      1) only owner can borrow on policy's cash value--purchaser gives up that right if owner is another individual.

   b. Influenced by whether estate planning objective is to reduce inheritance tax.

      1) if estate owns policy at time of death more inheritance tax usually results.

      2) THE KEY TO A GOOD ESTATE PLAN MAY WELL BE DETERMINED BY WHO OWNS THE POLICY. INHERITANCE TAX SAVINGS CAN RESULT IF PERSON OWNING POLICY IS OTHER THAN THE ONE INSURED.

6. Factors to Consider in Designating Beneficiaries

   a. Beneficiary designation should be consistent with total plan for disposing of assets.

      1) if objective is to continue the farm business then beneficiary designation may well be the off-farm heir to eliminate need to sell farm business.

   b. Consider whether estate is subject to the claims of creditors, estate tax, and settlement costs.

      1) if beneficiary is an individual instead of the estate, the income is not subject to collection by creditors or estate tax.

   c. Include testimentary trust for minor children.

      1) after settlement of estate, minor's share goes into trust to be cared for until he becomes of age.

      2) provides guidelines for what is to be done with principal and interest from insurance proceeds.

7. Settling the Policy

   a. Owner may make choice during life of insured.

   b. Beneficiary may make decision after death of insured--usually spelled out on policy.

      1) options.

         a) lump sum payment.

         b) installments.

         c) insurance company retention of funds with payments of interest and principal to be paid to heirs.

   c. Options may be spelled out in will or trust and should be consistent with the designation in the life insurance policy.

8. Insuring Other Estate Planning Objectives

   a. Protection in case of permanent disability of the main provider of income.

   b. Protection against loss due to suit against estate.

      1) example: cow gets out on highway and causes an accident. The cow's owner is sued--liability insurance can eliminate severe financial loss.

c. Protection against loss due to theft or fire.

d. Protection against loss due to major illness of the main provider of income or other family members.

UNIT: Estate Planning

JOB 9:

Utilizing Partnerships

SITUATIONS:

A.

B.

OBJECTIVES:

A. The student will be able to relate the advantages and disadvantages of using partnerships to help meet estate planning objectives to the farm family, to the satisfaction of adult family members.

B. The student will be able to defend orally the necessity of developing a written contractual agreement for any kind of partnership arrangement to the satisfaction of the instructor.

MOTIVATION:

Kenneth Jacobs has been farming for the past 40 years. Though never married, there remains for Kenneth the desire to see some young person take over and make a go of the farm business. His health is still good enough that he doesn't want to completely sell his farm and have nothing to do. He would like to work with a young person to help get him started.

Another of Kenneth's goals is to at least slow down to the point that he has time to go fishing and do some other things he has always wanted to do. He feels he can accomplish both goals by developing a partnership with a reliable young person desiring to farm.

STUDY QUESTIONS:

1. What is a farm partnership?

2. How can partnerships be utilized to help meet estate planning objectives?

3. What are the advantages of using partnerships in estate planning?

4. What are the disadvantages or limitations of partnerships?

5. Why is it necessary to put the partnership agreement in writing? Why isn't an oral agreement enough?

6. What items are essential to the written partnership agreement?

REFERENCE:

Harl, Neil E. Farm Estate and Business Planning. 1977 edition, p. 81-89.

UNIT: Estate Planning

JOB 9:

Utilizing Partnerships

JOB ANALYSIS:

1. Farm Partnerships
   a. Two or more people own the farm business.
   b. Exists under various situations.
      1) father/son.
      2) father/son-in-law.
      3) owner with unrelated individual(s).
   c. Laws of most states require sharing of profits and losses in order to qualify as a partnership.
2. Partnerships as Estate Planning Tools
   a. Transfer of property during the lifetime of owner.
      1) one-half or more of farm business can be sold or given to son, daughter, or other young person desiring to enter farming.
      2) agreement may include arrangement for transferring remainder of farm business during owner's lifetime.
   b. Offers opportunity for younger family members or other non-related individuals to enter farming.
   c. Can provide income for retirement years.
      1) principal and interest from sold share of farm.
      2) by participating in income as non-active partner.
3. Advantages of Partnerships as Estate Planning Tools
   a. Provides method of combining resources of partners; labor, finances, and management.
   b. Less expensive to organize or disolve than a corporation.
   c. Serves as method of spreading income tax load to lower income tax bracket family members. Example: father farms with two sons--a lower total income tax obligation results when profits are spread between all three partners.

d. Retired owner through a limited type partnership, can leave assets in business without assuming total liability of partnership.

1) limited partner only liable up to the amount he has invested.

2) regular partner subject to unlimited liability of partners for obligations of the partnership.

4. Disadvantages of Partnerships as Estate Planning Tools

a. Except for limited partnerships, each partner is fully liable for debts and other obligations of the partnership.

b. If partner is a minor, most states require that an adult be appointed to act in his behalf--minors are not legally eligible to make binding contracts.

c. Partners are not able to participate in employee benefits such as done in corporate arrangements.

5. Importance of Written Agreements

a. Leaves no doubt as to the original intent of the partnership--meaning tends to change unless written down.

b. Can prove invaluable when settling the estate--protects the rights of all parties involved.

c. Written documents often required by state law to make partnership transaction legal.

6. Essentials of the Partnership Contract

a. Good legal advice should be sought to insure compliance with the law.

b. Must be stated in clearly understood terms so meaning is clear.

c. Should include what each partner is to contribute in the way of resources; time, finances, and management.

d. Should include provisions to meet estate planning objectives of each partner.

1) way increased ownership for younger partner is to be obtained.

2) method by which older partner can become less active but retain income from partnership.

e. Statement as to whether partnership is limited

1) limited partner liable only up to amount of his investment.

2) limited partner may not be a part of management.

f. Each partner's copy should be signed, dated, witnessed, and filed in a safe, safety deposit box, or other reliable place for safe keeping.

UNIT: Estate Planning

JOB 10:

Utilizing Gifts

SITUATIONS:

A.

B.

OBJECTIVES:

A. The student will be able to relate to family members how gifts can be utilized to meet estate planning objectives of the farm family to the satisfaction of adult family members.

B. The student will be able to list the advantages and disadvantages of utilizing gifts as a means of meeting estate planning objectives to the satisfaction of the instructor.

MOTIVATION:

Having witnessed their neighbor's children having to sell part of the home farm to pay for inheritance taxes and settlement costs, John and Dorothy Jones have decited it is time to get their estate plans in order.

As one of their major objectives in life, John and Dorthy would like to see their assets passed on to their children. They have decided to give each of their three children outright title to one-third of the farm business.

The question arises as to whether this outright gift will meet their objective. Will an outright gift of property create other estate planning problems for their children?

STUDY QUESTIONS:

1. What constitutes a gift?

2. What are the advantages of utilizing gifts as a tool to help meet estate planning objectives of the farm family?

3. What are the disadvantages of utilizing gifts in estate planning?

4. What are the tax implications of using gifts for estate planning?

5. What is meant by a "transfer by gift/sale combination?"

6. Is there a limit to the size of gift a person should consider? If so, what determines the limit?

REFERENCES:

A. C.S.U. Extension Service. Estate Planning Manual, Section V, page 1, 1976.

B. Harl, Neil E. Farm Estate and Business Planning, p. 54-66, 1976.

C. University of Georgia Cooperative Education Service. Estate Planning With a Purpose, Bulletin 694, p. 9-10, February, 1971.

UNIT: Estate Planning

JOB 10:

Utilizing Gifts

JOB ANALYSIS:

1. Characteristics of a Gift

   a. A transfer of real or personal property during the owner's lifetime.

   b. All property rights to the gift must be transferred to the recipient.

   c. The recipient of the gift is not required to make any compensation for the gift.

2. Advantages of Utilizing Gifts

   a. Helps reduce inheritance taxes--property no longer a part of a person's estate.

   b. Helps lower estate settlement costs--property no longer a part of a person's estate.

   c. Helps spread out income tax burden.

      1) income is spread over more individuals.

      2) children usually are in lower income tax bracket--resulting in a less total tax obligation for the family.

   d. Allows transfer of farm business to take place during owner's lifetime.

   e. Can eliminate settlement costs and inheritance taxes--farm business no longer a part of giver's assets.

   f. Can provide off-farm family members the necessary capital to meet educational and business goals.

3. Disadvantages of Gifts

   a. Giving away assets eliminates their use for retirement purposes.

   b. Controlling the use of assets is lost--recipient is free to do with them as he pleases.

   c. Contain several tax limitations discussed in question six.

4. Tax Implications of 1976 Tax Reform Act

   a. Owner entitled to $3,000 annual gift exclusion/donee--over that amount normally subject to gift tax in most states.

   b. On gifts between spouses there is a $100,000 marital gift deduction on the first $100,000 given.

   c. If the gift is between $100,000 and $200,000 the amount over $100,000 is taxed at regular rate.

   d. If the gift is over $200,000, that amount over carries a 50% marital tax deduction.

   e. Until January 1, 1977 a $30,000 lifetime gift tax exemption per person was in effect. Now the yearly deduction applies. (See a above.)

   f. Gifts made within three years prior to death are usually considered part of the descendent's estate (except the annual $3,000 exclusion).

5. Transfer by a Sale/Gift Combination

   a. Occurs when owner sells farm at below market value.

   b. The gift becomes the difference between the fair market value of the property and what it is sold for.

   c. Gift tax limits advantage--it may bring total cost up to what purchase price normally would have been.

6. Gift Limitations

   a. Owner can give away as much of his assets as he desires.

   b. Gift taxes usually limit the amount of assets doner is willing to give away--the tax can deplete the value of the property or asset.

UNIT: Estate Planning

JOB 11:

Providing for Retirement

SITUATION:

A.

B.

OBJECTIVES:

A. The student will be able to list seven different ways sources of income can be provided for retirement with 100 percent accuracy.

B. The student will be able to relate the advantages and disadvantages of each of the seven ways of providing income for retirement to the farm family to the satisfaction of adult family members.

MOTIVATION:

Ralph and Betty Burns developed their estate plan in such a way that both time and resources are available for them to enjoy in their retirement years.

By first establishing their needs and the way to meet them, the parents were then able to work other objectives of younger family members into the total plan.

STUDY QUESTIONS:

1. What objectives in the area of retirement are commonly held by farmers?

2. How can the farm family utilize estate planning to meet retirement objectives? What are the advantages and disadvantages of each?

3. What should be considered when setting up the retirement program?

REFERENCES:

Harl, Neil E. Farm Estate and Business Planning. 1977 edition.

UNIT: Estate Planning

JOB 11:

Providing for Retirement

JOB ANALYSIS:

1. Retirement Objectives of Farmers

   a. To assure an adequate income for the remainder of the farmer's and/or his spouse's life.

   b. To lessen or eliminate management responsibility.

   c. To allow leisure time for travel and other personal interests.

   d. To see the farm business continue into the next generation.

2. Ways of Providing for Retirement Income.

   a. Renting out the farm business

      1) advantages

         a) provides either cash or share of crops and livestock as sources of income.

         b) direct management by owner is lessened.

      2) disadvantages

         a) good renters that will keep up the farm are not always easy to find.

         b) income is unpredictable if arrangement is a share of the crops or livestock.

         c) inheritance tax and estate settlement cost still exist.

   b. Partnership agreement

      1) advantages

         a) retiree can become non-working member of operation.

         b) retiree can retain partial control over assets.

         c) arrangement can provide both income and transfer of ownership during owner's lifetime.

2) disadvantages.

a) settlement of estate can be complicated if partnership is not carefully organized--type of ownership should be clear to all parties involved.

b) if form of ownership is joint tenancy, a desire to sell must be agreed to by both parties.

c) if property ownership is by tenants-in-common, co-owner can force property sale--could interrupt individual's retirement income if it is derived from business profits.

c. Private annuities

1) advantages.

a) provides annuitant guaranteed income for life or a specified time.

b) allows transfer during owner's lifetime--upon owner's death farm become property of obligor, payments cease.

2) disadvantages.

a) all children need to be obligors to have equitable system --at death of owner, the estate no longer exists.

b) since annuity is a set amount, inflation hurts income's buying power.

c) gift tax is applied to the difference in market value and the total amount paid by obligor in annuities.

d. Social Security

1) advantages.

a) can provide retirement income for both the farmer and his wife.

b) retiree can receive income from the farm--in addition to social security payment, as long as he doesn't participate materially in the production of said income.

c) if retiree was shareholder--employee of corporation, he can still earn part-time salary-up to $250.00 a month-without losing social security benefits.

2) disadvantages.

a) the retiree limited to $3,000 outside income until he reaches age 72--after 72 amount earned unlimited.

b) retiree must have paid into social security to qualify.

(1) minimum of six quarters to qualify.

(2) coverage for 40 quarters needed for life time coverage.

e. Retirement through corporate plan

1) usually through social security--advantages and disadvantages in "d" above.

2) in addition, corporation can have own plan without limiting what individual gets from social security.

f. Installment contracts

1) advantages.

a) provides income for specified number of payments.

b) transfer ownership during lifetime of owner.

c) provides a means of spreading capital gains over a number of years for tax purposes.

2) disadvantages.

a) tax implications require services of tax accountant to keep necessary records for tax reporting services.

b) capital gains must still be considered along with settlement costs upon death of owner--on the amount of contract not paid off.

g. Insurance endowment plan

1) advantages.

a) can provide fixed income payments for life.

b) saves farm assets--can be transferred to next generation.

2) disadvantages--doesn't solve transfer of ownership or estate settlement problems.

3. Setting Up the Retirement Program

   a. select plan that will meet family objectives for retirement.

   b. include retirement objectives as part of farm business plans.

   c. provisions for the retirement programs should be flexible to allow for change in family objectives and situations.

UNIT: Estate Planning.

JOB 12:

Bringing Young People Into Farming Through Estate Planning

SITUATIONS:

A.

B.

OBJECTIVE:

The student will be able to relate the advantages and disadvantages of the various methods available of bringing young people into farming to the farm family to the satisfaction of adult family members.

MOTIVATION:

Julie, a widow with two grown sons, has no one to take over the home farm since her husband died.

During their high school years both boys had expressed an interest in becoming farmers but just never seemed to be able to work out an agreement that would allow them to enter the farm business with their parents.

Both sons are now involved in off-farm ventures and feel they have lost touch with the methods necessary to make the farm a paying venture.

How might proper estate planning have prevented this from happening?

STUDY QUESTIONS:

1. What are the methods available to the farm family to aid younger members and others interested in farming to enter the business?
2. What are the essential characteristics of each method?
3. What are the advantages and disadvantages of each method when used as a means of bringing young people into farming?

REFERENCES:

Harl, Neil E. Farm Estate and Business Planning. 1977 edition.

JOB 12: Bringing Young People Into Farming Through Estate Planning

Method	Characteristics	Advantages	Disadvantages
Corporations	1. corporation owns farm business. 2. individuals own part of corporation through shares of stock. 3. shareholders can give, sell, will, or pass stock through right of descent.	1. young person can be employee of business while obtaining stock. 2. transfer of ownership simple once business is incorporated. 3. non-family members can retain interest in business through owned shares. 4. estate settlement easier--only owner shares taxed. 5. means of insuring continuity of the farm business.	1. more expensive to set up and disolve than other forms of ownership. 2. more expensive to operate. a) records and reporting necessary to meet state requirements.
Gifts	1. transfer of property with no payment in return. 2. all rights to gift forfeited by giver.	1. allows young person to enter farming without heavy debt burden. 2. allows transfer during owner's lifetime. 3. cuts down on settlement costs and inheritance taxes. 4. young person has control over property and can make major management decisions.	1. gift taxes burden heavy. 2. capital gains tax must be paid at time of giver's death. 3. owner limited to $3,000 a year gift deduction ($6,000 in case of two parents) per donee. 4. if gift is over deductible limit--gift tax is assessed.
Gift/Sale Combination	1. owner sells farm at below market value. 2. difference between selling price and fair market value considered a gift.	1. allows young person to enter farming with less investment.	1. Gift tax and capital gains limits advantage --may total what the purchase price would have normally been.

Method	Characteristics	Advantages	Disadvantages
Installment Contract	1. allows young person to enter farming by making down payment and balance in periodical payments. 2. if down payment not sufficient sale usually on conditional basis. 3. buyer has management responsibility.	1. lower initial outlay of capital required. 2. can lesson tax burden at time of parents' death--less property in estate to be taxed.	1. often hard to come up with initial down payment unless conditional contract made. 2. person has to purchase what rightfully he should inherit--if he is in line of descent.
Lease-Purchase	1. person leases operation for nominal fee until enough capital or collateral accumulate to make down payment.	1. allows entry into farming with limited capital. 2. allows owner to transfer business yet retain income and control.	1. slow process normally, unless lease funds applied to purchase price.
Parent/Child Agreement	1. normally used in case of minors. 2. allows minor to acquire experience, livestock and equipment while still at home. 3. allows minor to build capital and collateral while still at home. 4. collateral can then serve to get credit to buy share of farm operation.	1. means of young persons building assets and borrowing power. 2. can acquire farm experience and management ability without large investment.	1. unless agreement in writing young person's assets often are arbitrarily wiped out when he graduates from school, wants to enter the farm business, or uses assets for other personal purposes. 2. Often are not developed with long range goals. 3. Scope of agreement often limited--not large enough program to serve objective of entering farming.

Method	Characteristics	Advantages	Disadvantages
Partnership	1. joining together with parent or other person in ownership agreement. 2. profits and losses must be shared.	1. provides method of combining resources. 2. less expensive to organize and dissolve than a corporation. 3. can spread income tax load to lower income tax bracket partner. 4. method for young people to enter farming.	1. liable for all debts of partnership. 2. partners don't have same employee benefits as in corporation arrangement. 3. partnership dissolved at death of either partner.
Private Annuity	1. owner gives property to obligor for promise to pay. 2. usually not secured. 3. property belongs to obligor at time of death.	1. if annuitant dies early, property cheaply obtained. 2. possible to enter farming with no down payment.	1. if annuitant lives long life no real advantage in amount paid. 2. if promise to pay is secured, capital gains tax applies to agreement. 3. At time of death of annuitant, gift tax applied to difference of sum of payments and market value of farm.
Trusts	1. instrument or legal document that sets guidelines of who is to receive property and under what conditions. 2. a means of transferring ownership to descendents at time of death.	1. provides method by which business can continue until beneficiaries can take over. 2. trustee appointed to act in minor's behalf. 3. eliminates probate fees and cost of reporting to court.	1. estate and settlement costs can consume a large portion of estate. 2. trustee not always best person to handle affairs--can lack management skill or concern for beneficiaries interests.

UNIT: Estate Planning

JOB 13:

Protecting the Interests of Minor Children

SITUATIONS:

A.

B.

OBJECTIVE:

The student will be able to identify the needs of minor family members and how their needs can be met through the estate planning process to other members of the farm family to the satisfaction of adult family members.

MOTIVATION:

The Johnsons had always wanted to own their own farm. Both had worked to accumulate the necessary down payment to purchase their 160 acre farm. Six years and three small children after the purchase was made, both parents were killed in a car accident.

Because the couple's life insurance was inadequate to cover both the settlement costs of the estate and provide the finances needed to keep the farm business going, the farm was sold.

The three small children were taken in by their grandparents. Since the older people relied on social security as a means of income, a financial burden was the result.

How might such a situation have been averted through proper estate planning?

STUDY QUESTIONS:

1. What are the most common estate planning needs of minor members of the farm family?

2. How can a properly developed estate plan provide for the needs of minor children?

3. How can adult family members be assured that minor children's interests are being protected?

REFERENCES:

Harl, Neil E. Farm Estate and Business Planning. 1977 edition, Chapters I, IV, V, VI, XVIII.

UNIT: Estate Planning

JOB 13:

Protecting the Interests of Minor Children

JOB ANALYSIS:

1. Estate Planning Needs Common to Farm Children

   a. Having an opportunity to enter farming.

   b. Having financial protection if one or both parents are disabled.

   c. Having financial protection if one or both parents die.

   d. Having a financial base to pursue personal objectives.

      1) funds for an education to meet occupational objective.

      2) funds to start non-farm business venture.

2. Meeting Minor Family Member's Needs Through the Estate Plan

   a. Plan can provide avenues through which minor can enter farming (see job 12).

      1) parent-child agreement.

      2) corporate arrangement.

      3) gifts.

      4) gift/sale combination.

      5) trusts.

      6) installment contract.

      7) lease purchase.

      8) partnership.

      9) private annuity.

   b. Plan can provide income protection through use of insurance

      1) to meet living expenses in case of parent's death or disability.

      2) to pay estate tax and settlement cost upon death of parent.

c. Plan can provide legal arrangement to manage the estate until minor becomes of age--through use of trust.

1) trust should include provisions to meet minor's needs.

2) trustee assigned to make decisions for minor's best interest.

3. Assuring That Minor's Interests Are Protected

a. Trust, with carefully thought out provisions for minor's needs, probably best assurance.

b. select individuals to act in behalf of minor children who have their best interests in mind.

1) executor--in case of wills.

2) trustee--in case of trust.

3) acceptance by executor or trustee of personal obligation is important.

c. Check with legal sources to make certain that documents will provide according to parent's wishes.

UNIT: Estate Planning

JOB 14:

Minimizing Taxes

SITUATION:

A.

B.

OBJECTIVES:

A. The student will be able to relate the implications of taxation on the development of estate planning objectives to the farm family to the satisfaction of adult family members.

B. The student will be able to identify six major changes of the 1976 Tax Reform Act as they apply to estate planning with 100 percent accuracy.

MOTIVATION:

As one of the "old time" farmers, Greg Butler had purchased his farm during the depression years of the 1930's when land was cheap. Greg directed, through his will, that the farm go to his two sons who had been working at home for wages. He felt that leaving the farm to his sons would be sufficient for their years of service so had never worried much about life insurance.

When Greg died in early 1977, his sons were faced with a huge increase in the value of the farm which resulted in a large tax bite. The only way they could meet the inheritance capital gains taxes and settlement costs was to sell the farm.

STUDY QUESTIONS:

1. Why should the farm family consider taxes as it develops the estate plan?

2. What kind of taxes should the farm family anticipate paying?

3. What are some of the ways the farm family can lower its total tax burden?

4. What are the important factors of the 1976 Tax Reform Act that the farm family should consider as it develops the estate plan?

REFERENCES:

Harl, Neil E. Farm Estate and Business Planning. 1977 edition, pages 16-21, 26-66.

Harl, Neil E. "Seven Key Changes You Should Know About the New Tax Law." IH Farm Forum, Vol. 4, No. 1, 1977. p. 13-14

UNIT: Estate Planning

JOB 14:

Minimizing Taxes

JOB ANALYSIS:

1. Tax Implications of Estate Planning

   a. Affects how property is owned and when transfer is made.

      1) in a corporation, only corporate shares inherited by beneficiary are taxed for estate purposes--business can continue.

      2) tax implications are different for joint tenancy and tenancy in common.

         a) joint tenancy--total property owned by both parties.

            (1) 50-50 basis in case of husband and wife.

            (2) the full amount of the property jointly held is subject to inheritance tax unless surviving spouse can prove he or she provided all his/her share--does not apply if ownership formed after January 1, 1977.

         b) tenancy-in-common--only that part of property belonging to deceased is taxed.

      3) partnership ceases at death of one of partners--surviving partner can be forced to sell to settle tax liability on property.

      4) less tax load if property transfer made during the life of the owner--less amount of property left in owner's estate to be taxed.

   b. Affects the objective of continuing farm business into next generation

      1) settlement costs and inheritance taxes owed by beneficiary may force sale of all or part of farm to pay inheritance, capital gain, or gift taxes.

      2) inheritance taxes, capital gains tax, and settlement costs can eliminate or decrease operating capital needed to keep farm operating.

c. Affects objective of who should receive property.

1) because of a larger marital tax and gift deduction, spouse may be most logical person to leave the farm business too.

2) children limited to parent's annual gift exemption of $3,000 ($6,000 in case of both parents)/donee.

d. Affects income tax load.

1) income tax load can be lessened- · outting ownership of property in hands of more family members.

a) income tax total normally lower.

b) taxable income goes to family members in lower tax brackets.

2. Kinds of Taxes Affecting Property

a. Property tax--annual assessment applied to assessed value of property.

b. Income tax--assessment on the income derived from the farm business or other income.

c. Inheritance tax--assessment placed on estate at time of death of owner.

d. Capital gains tax--assessment placed on profit from the sale of assets.

e. Gift tax--assessment made on property given to another individual.

3. Minimizing the Farm Family's Tax Burden

a. Obtain assistance from competent tax accountant--he is in better position to know tax implications.

b. consider tax implications as family estate planning objectives are being developed.

c. study forms of ownership before making business arrangements--select form that spreads out tax burden among family members.

d. study alternatives before making estate planning decisions--there are advantages and disadvantages to every estate planning approach.

4. Important Estate Planning Features of the 1976 Tax Reform Act

a. Joint tenancy.

1) if created after 1976, husband and wife considered to own property half and half.

2) spouse had to prove contribution of funds towards purchase or pay gift tax--prior to 1977. --for joint tenancy form of co-ownership.

3) family should consider alternatives.

(a) claiming federal marital gift tax exemption over federal marital estate tax credit depends on total size of estate.

(b) should check with tax consultant before making choice.

4) new law doesn't effect joint tenancies formed before 1977.

b. Valuation of land

1) under new law value determined by its current use.

(a) $\frac{\text{rental rate minus property tax}}{\text{federal land bank loan rate}}$ – valuation formula

2) farm business must meet eligibility requirements to qualify for "current use" valuation procedure.

a) farm property must be at least 50 percent of estate.

b) property must go to qualified heir.

c) property must have been owned five of last eight years prior to death.

c. Gift tax

1) gifts made within three years of giver's death are taxable.

2) exclusion is $3,000/year allowable gift/donee.

d. Capital Gains

1) after January 1, 1977, gain on property no longer eliminated by death of owner.

2) gain carries over to the estate and must be paid by heirs.

3) applies to all assets including crops and livestock.

e. Estate tax rates, credit

1) larger marital deduction--now $250,000 or 50 percent of the estate (which ever is greater) less settlement cost--except in very large estates spouse's inheritance load is much less than prior to January 1, 1977.

2) elmination of $60,000 tax exemption--now credit starts at $30,000 and works up to $47,000 by 1980--this is the tax credit that is subtracted from the total amount of tax owed.

f. Gift tax

1) marital gift tax exemption and marital inheritance tax deduction are similar--decision of which to use depends on individual situation--size of estate.

g. Tax payment requirements--federal estate tax can be paid over 15 year period at four percent interest

UNIT: Estate Planning

JOB 15:

Transferring Property Prior to Death

SITUATIONS:

A.

B.

OBJECTIVES:

A. The student will be able to discuss why and how transfer of ownership can be accomplished during the owner's lifetime to members of the farm family to the satisfaction of older family members and the instructor.

B. The student will be able to relate the necessity of early transfer to meet family objectives to other family members to the satisfaction of older family members.

MOTIVATION:

A look at two similar farm families will show what good estate planning can do.

The parents of family A still live on the farm they sold to their son. They receive a monthly income from payments from the sale. With a decrease in assets, settlement costs and inheritance tax on their estate will be minimal.

In family B the father has sole ownership of the farm. His son works on the farm for wages. When the time comes for the son to settle his father's estate he will be faced with considerable expense.

STUDY QUESTIONS:

1. What family objectives necessitate transferring the farm business during the lifetime of the owner?

2. What are the various ways transfer can take place during the owner's lifetime?

3. What are the advantages and disadvantages of each way or method?

4. What factors affect when the transfer should be made?

REFERENCES:

A. Harl, Neil E. Farm Estate and Business Planning. 1977 edition.

B. Smith, Cecil O. Estate Planning with a Purpose. University of Georgia, Bulletin #694, 1971, p. 8-12.

UNIT: Estate Planning

JOB 15:

Transferring Property Prior to Death

JOB ANALYSIS:

1. Objectives of transferring the farm business during owner's lifetime

   a. Desire to witness the transfer of the farm business to the next generation during the owner's lifetime.

   b. To cut down on inheritance taxes and estate settlement costs.

   c. To retire from the pressures of active management.

   d. To enjoy the fruits of one's labor.

2 and 3 (see following page.)

2 and 3.

Method	Advantages	Disadvantages
a. Transfer by Sales		
1) Conventional Sale--full down-payment with transfer of full ownership rights.	1. provides seller opportunity to get out of management position. 2. decreases the total estate value that taxes and settlement costs have to be paid on later.	1. seller loses control of property. 2. income tax on capital gains could be greater than amount that would be paid through inheritance tax.
2) Conditional Sale--seller retains title when buyer does not have substantial down-payment. Ownership goes back to seller on default.	1. property is secure in case buyer defaults on payments. 2. capital gains usually less because the sale would qualify as an installment sale treatment. 3. allows entry into farm business with a minimum investment.	1. Main disadvantages are to the buyer. a) lacks ownership security. b) lacks borrowing power.
b. Transfer by Gift	1. reduces the estate for estate tax, capital gains, and settlement cost purposes. 2. easy way for young person to enter farming. 3. owner can see complete ownership transfer during his lifetime. 4. helps lower income tax by moving property to lower income tax bracket family members.	1. lose control over assets. 2. no benefits enjoyed for retirement purposes. 3. transfer on gift basis could cause tax problems for recipient--gift taxes. a) capital gain accrued after 1976 carries over to the estate or heirs. 4. If made within three years of death, transfer loses most of its gift status.

2 and 3. (Continued)

Method	Advantages	Disadvantages
c. Co-Ownership		
1) joint tenancy	1. when one of tenants dies his share passes to surviving tenant. 2. relatively easy to settle through probate. 3. owner can retain ownership while retreating from active management role--other partner (son for instance) can assume management role.	1. terminating during lifetime takes agreement of all parties. 2. joint tenant can sell his interest without agreement of other tenants. 3. survivorship of other tenant could result in property going to undesired recipient--widow remarries and joins in joint tenancy with new husband.
2) tenants-in-common	1. greater degree of ownership protection by heirs of the owner. 2. the father's estate is reduced by that amount transferred to the son.	1. tenant can demand division of property to receive his share. 2. guidelines for management of operation essential and must be clearly stated.
d. Partnership	1. provides for management and financing on a joint basis. 2. way of sharing proceeds--provides retirement income. 3. can be created through a sale or gift. 4. transfer can be made with buyer's management as partial payment.	1. unless limited partnership--unlimited liability is shared by all partners. 2. partnership ceases on death of one of the partners. Carefully drawn up agreement necessary for continuation of the business.
e. Incorporating	1. ownership can be transferred without interfering with the operation of the business. 2. liability only to the extent of one's interest in the business. 3. less problems involved when transferring ownership to minors. 4. method of moving out of active management but retaining enough shares to provide income.	1. incorporating is an expensive process to either set up or terminate.

4. Critical Factors in Transfer of Property

   a. Early establishment of long-range family objectives necessary for success

      1) if transfer is to be made during lifetime of owner.

      2) to establish whether younger family member really wants to enter farm business.

   b. Make transfer as soon as family objectives can be met.

      1) to assure attainment of older family member's objectives during their lifetime.

      2) completion of transfer at earliest possible date to decrease capital gains taxes--inflation of land increases problem.

      3) so person moving into farming can do so at a reasonably early period in life.

UNIT: Estate Planning

JOB 16:

Developing the Farm Family Estate Plan

SITUATION:

A.

B.

OBJECTIVES:

A. The student will be able to organize the development of his family's estate planning objectives to the satisfaction of each adult family member.

B. The student will be able to identify the seven steps of developing and implementing a good estate plan with 100 percent accuracy.

MOTIVATION:

The Smith's were in their early forties with three teenaged children. Byron, the oldest, had just graduated from high school and planned to go into farming with his father.

The parents had mentioned several times that they should develop an estate plan--but had just kept putting it off. After all, both were fairly young and still had many good years ahead of them.

Both parents were suddenly killed while flying to a national convention. The farm was sold to meet settlement and other expenses. The children were left with little to see them through until adulthood.

From this case history, when could a person assume is the best time to develop one's estate plan?

STUDY QUESTIONS:

1. What should a good estate plan accomplish?

2. What are the essential steps to follow in the estate planning process?

REFERENCES:

A. Harl, Neil E. Farm Estate and Business Planning. 1977 edition, p. 189-195.

B. Crim, Harry E. and Morrow, Alice. Estate Planning Manual. Colorado State University Extension Service, Department of Economics, 1976. Section 1, pages 1-3.

UNIT: Estate Planning

JOB 16:

Developing the Farm Family Estate Plan

JOB ANALYSIS:

1. Accomplishments of a Good Estate Plan

   a. Will meet farm family objectives--varies with each family and individual family member.

   b. Common accomplishments or objectives generally sought in farm estate plans.

      1) will plan provide ways for younger family members to enter farming?

      2) will plan allow the farm business to continue into the next generation?

      3) will plan provide for transfer of ownership during the owner's lifetime?

      4) will plan provide necessary income for retirement years of older family members?

      5) will plan minimize income, inheritance, capital gains, gift taxes as well as settlement costs?

      6) will plan provide financial protection for spouse and minor children in case of death or accident?

      7) will plan provide legal and managerial aid to minor children?

      8) will plan provide for educational and other off-farm needs of family members?

2. Steps in the Estate Planning Process

   a. Determine major family objectives (see answer to question #1) --should be based on needs and desires of family members.

   b. Acquire competent assistance--the family lawyer, banker, accountant, insurance agent or trust officer can best help in shaping objectives.

   c. Take inventory of family resources.

      1) include real and personal property such as land, livestock, machines, bank accounts, stocks and bonds, home furnishings, and valuable jewelry.

2) include insurance policies, who they are owned by and who the beneficiaries are.

3) include non-farm investments--interest in feed store for example.

4) include liabilities such as bank notes and mortgages that will affect the estate.

d. Develop alternative methods of meeting objectives--if objective is continuation of farm business into next generation it can be done through an annuity, a trust, a partnership, a gift, or by incorporating the farm business.

e. Select method that best meets the needs and objectives of family members--can only be done on an individual family basis.

f. Implement the plan.

1) draw up will, trust, or other documents with legal assistance.

2) set up the form of ownership arrangement selected.

3) purchase insurance necessary to meet determined objectives.

4) start ownership transfer and retirement plan if applicable.

g. Evaluate and update the plan.

1) should be evaluated at least yearly--advisable to do at income tax time.

2) update whenever major change in family status or farm business occurs.

UNIT: Estate Planning

JOB 17:

Acquiring Competent Assistance in Estate Planning

SITUATIONS:

A.

B.

OBJECTIVE:

The student will be able to relate the importance and utilization of competent assistance in estate planning to the farm family to the satisfaction of adult family members.

MOTIVATION:

Bruce and Marge had spent considerable time deciding how they wanted their estate settled. Their planning had payed off with a set of carefully developed family objectives.

Many technical points began to arise however, as they tried to implement their plan. While discussing some of these problems with their family banker it was suggested they consult with a local lawyer who specializes in estate planning.

A couple of short sessions with this individual resulted in a workable plan that fully met their objectives. An added bonus was that the service proved far less expensive than they originally had anticipated.

STUDY QUESTIONS:

1. Is outside assistance always necessary when a person or family develops its estate plan? Why or why not?
2. Where can the farm family go to acquire competent assistance in the area of estate planning?
3. What assistance might outside consultants provide as the family selects estate planning objectives and develops the plan?
4. How expensive is estate planning assistance?
5. What can the farm family do to cut down on the cost of developing an estate plan?
6. How does one obtain maximum service out of competent consultants?

REFERENCES:

A. Harl, Neil E. Farm Estate and Business Planning. 1977 edition, p. 14-15, 190.

B. "How Do You Find a Good Lawyer to Draw Up an Estate Plan?" IH Forum, Vol. 4, No. 1, 1977, page 5.

C. Smith, Cecil O. Estate Planning with a Purpose. University of Georgia Cooperative Extension Service, Bulletin 694, February, 1971, pg. 61 .

UNIT: Estate Planning

JOB 17:

Acquiring Competent Assistance in Estate Planning

JOB ANALYSIS:

1. Need for Outside Assistance in Developing the Estate Plan

   a. Unnecessary if assets are small and objectives of owner or family are consistent with state law--if individual doesn't have a plan for settling his estate, state law goes into affect.

   b. As size of estate and complexity of family needs increase, so does the need for competent assistance--to ascertain that plan and objectives agree.

2. Acquiring Competent Estate Planning Assistance

   a. Utilize individuals who have provided satisfactory service.

      1) family lawyer, tax accountant, banker, bank trust officer, and insurance agent.

      2) family lawyer may feel inadequate in estate planning--can recommend specialist to go to.

   b. Seek out friends with successful estate plans--they can recommend consultants to use.

   c. Certain firms and individuals specialize in state planning--usually provide best service.

3. Service Provided by Competent Assistance

   a. Primary service in helping shape objectives and drawing up legal documents.

      1) lawyer--provides technical information on various alternatives to objectives, assists in drawing up wills, trusts, and agreements and verifies compliance of documents with legal guidelines.

      2) tax accountant--assets in determining alternatives to minimizing tax burden.

      3) trust officer--works with lawyer to develop trust instrument.

      4) banker.

         a) should have best knowledge of family financial standing and history.

         b) in position to help mold objectives needing financial backing.

5) insurance agent.

a) can provide assistance in determining financial and other protection needs.

b) can provide assistance in selecting program to meet needs.

4. Cost of Estate Planning Assistance

a. Varies with individual situation, size of business, and source of assistance used.

1) no charge usually made for services of banker and insurance man--fee part of service purchased.

2) tax accountants and lawyers normally charge by the hour--for large accounts they may charge flat rate.

a) to set up family corporation runs from $500 to $1,000.

b) to draw up simple will costs from $50 to $150.

c) cost of service increases when complex situations are included as part of the plan.

b. Varies with the form of ownership selected.

--cost of incorporating normally more expensive than other forms of ownership.

5. Reducing the Cost of Estate Planning

a. By being organized.

1) develop tentative family objectives before obtaining assistance.

2) have a "laundry list" or inventory of family assets before visiting lawyer.

b. Select consultants on basis of service--not strictly on name.

6. Precautions for Obtaining Maximum Service

a. Make sure objectives are clear to consultant.

b. Make certain contents and implications of documents are clearly understood and meet family objectives--if unclear, have them explained.

Inventory of Personal Assets

Real Estate

A. Home Address _____

Market Value of Home $_____ Mortgage $_____

Title in Whose Name?_____ Net Equity?_____

When was home purchased? _____ Price $_____

B. Other Real Estate
(Description-Location-Title) (Market Value) (Net Equity)

_____ $_____ $_____

_____ $_____ $_____

Bank Accounts (Where-Type-Account in Whose Name) (Average Balance)

_____ $_____

_____ $_____

Investments
(Description, Stocks-Bonds-Mortgage) (In Whose Name) (Market Value)

_____ _____ $_____ $_____

_____ $_____ $_____

Miscellaneous (Home Furnishings-Automobile-Jewelry, etc.) (Approx. Value)

_____ $_____

_____ $_____

Notes-Loans-Accounts Receivable (What Percent Collectable) (Value 'Real')

_____ $_____

Business Interests

Do you or your wife have an interest in a Sole Proprietorship? _____

Partnership?_____ Corporation?_____ Name of Firm_____

Percent of Interest_____ Is business interest to be retained?_____

(a) If not, liquidation value $_____ Do you have an agreement covering ownership in event of death?_____ Who are your major associates in the firm?_____

Who is firm's attorney?_____Accountant?_____

Personal Liabilities

Payable--Notes-Bills-Loans (Inc., Life Ins.)

Total $_____

Income (Annual)

Wages-Investments-Business Income

Wife's Separate Income

Total $_____

ESTATE INFORMATION AND OBJECTIVES

Estate Owner _____

Date of Birth _____ Place of Birth _____

Legal Residence _____ Phone _____

Name of Employer _____ Occupation _____

Business Address _____ Phone _____

Family Record

Wife _____ _____ Date of Birth _____ Place _____

Children _____ Date of Birth _____ Place _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

Any children adopted or by previous marriage? _____

If previous marriage, any obligations? _____

Any unusual health problem (self or family) _____

_____

Other dependents: (Name-Age-Relation) _____

_____

Basic Data

Social Security Number _____ Eligible for Maximum Benefits _____

Do you have a will? _____ Where located? _____

Date of will _____ Does your wife have a will? _____ Date _____

Any trust agreement in existence?_____

Who is your legal advisor?_____

Where is your safe deposit box located?_____

Where do you keep the keys to it?_____

Does anyone else have access to it?_____

Do you and your wife own property in joint tenancy?_____

Have either you or your wife separate property?_____

Personal and Family Insurance (Pick up policies for analysis)

Total amount on your life (exclusive of accidental death) $_____

Amount of Accidental Death $_____

Monthly Disability Income Protection $_____

Any life insurance on wife and children? Amounts? $_____

_____

Where do you keep your life insurance policies?_____

What group and/or pension plans does your employer have?_____

_____

Ever had claim for sick/accident or been declined or uprated on life insurance?

_____

Estate Objectives

A. If death came unexpectedly how much income would your family need? $_____

Would you want your family to have an emergency fund? _____

Amount $_____

B. Are your children going to go to college?_____ Amount needed for each $_____

C. Are you or your wife likely to inherit any property?_____

Estimated amount $_____

D. Are your children likely to inherit property other than from you?_____

Estimated amount $_____

E. According to present plans, how much monthly income do you feel you will need at retirement age? $_____

F. Has your wife any business experience?_____ With family grown, how much income will she need besides her earnings? $_____

G. Have you made any substantial gifts (family-relatives-friends) recently? (Don't count church and charity donations.) $_____

H. At death, approximately how much would be needed for:

Final Medical and Burial Costs $_____ Taxes? $_____

Bills-notes-accounts due $_____ Legal Costs $_____

Mortgage balance on home $_____ TOTAL $_____

I. Are there dependent parents, relatives, religious, educational, charitable organizations that you would like to leave money to at your death? $_____

J. Do you wish your children to share equally in your estate?_____

K. Do you desire any of your estate assets to be distributed in a particular manner at your death?_____

L. In the event present assets do not meet the needs you have outlined, how much would you be able and willing to save each month toward fulfillment of your desires $_____.

ESTATE PLANNING SCHEDULE

I

PERSONAL DATA

A. Testator:

Name (including all names in which title to property is held).

_____

_____

Age _____ Marital Status _____

Address and Domicile _____

_____ Phone Number _____

Business or Occupation _____

Condition of Health _____

Referred by _____

Name of Accountant _____

Prepared by _____ Date _____

B. Spouse:

Name _____ Age _____

Address and Domicile, if different _____

_____ Phone Number _____

Business or Occupation, if employed _____

C. Children, Grandchildren, Other relatives, Legatees, Devisees:

Name and Address	Relationship	Birth Date

D. Particulars as to Family: (Special needs, circumstances or problems of particular members, adoptions, prior marriages, etc.)

_____

_____

II
ASSETS AND LIABILITIES

A. Real Estate: (Including oil and other mineral interests).

Description and Location	Mortgages	Value	Ownership Husband, Wife or Joint)

B. Life Insurance: (Including annuities).

Name of Company	Policy No. and Type	Amount	Insured and Beneficiaries Ownership Settlement Provision

C. Name and Company of Insurance Advisor _____

_____

C. Checking and Savings Accounts:

Name of Institution	Type	Average Balance	Ownership (Husband, Wife or Joint)

D. Government Bonds:

Type	Amount	Ownership

E. Corporate Stocks and Bonds:

Name of Company	Type and No. of Shares	Quotes	Value	Ownership

F. Notes, Mortgages, Accounts:

Debtor	Type	Value	Ownership

G. Business Interests: (Not listed above.)

Description	Value	Ownership

H. Personal Goods and Chattels: (Including household articles, autos, jewelry, furs, sporting goods, etc.)

Description	Value	Ownership

I. Trusts, Powers of Appointment, Expectancies:

Description	Value	Ownership

J. Other Assets: (Including pension and retirement benefits, social security coverage, patent rights, club memberships, etc.)

Description	Value	Ownership

K. Liabilities: (Including personal, business and life insurance loans, mortgages, notes, etc.)

Description	Creditor	Amount

L. Summary of Assets and Liabilities:

	Husband	Wife	Joint
a. Real Estate			
b. Life Insurance			
c. Checking and Savings Accounts			
d. Government Bonds			
e. Corporate Stocks and Bonds			
f. Notes, Mortgages and Accounts			
g. Business Interests			
h. Personal Goods and Chattels			
i. Trusts, Powers, Expectancies			
j. Other Assets			
TOTALS	$	$	$
Less Liabilities			
NET ASSETS	$	$	$

M. Safety Deposit Box:

Bank	Number	Location of Key	Name or Names in which rented